

August 7, 2000

Dear State Medicaid Director:

We are very pleased to provide you with a copy of the "[Guidelines for Addressing Fraud and Abuse in Medicaid Managed Care](#)." (*Requires Adobe Acrobat Reader*) This document is a product of the Health Care Financing Administration's (HCFA) National Medicaid Fraud and Abuse Initiative.

This document is the first product of its kind to address fraud and abuse in Medicaid managed care, and was initiated in response to States' requests for guidance in this area. The Medicaid Fraud and Abuse workgroup that composed this document consisted of representatives from State Medicaid Agencies, Medicaid Fraud Control Units, and the Health Care Financing Administration.

The purpose of the document is to provide ideas and guidelines to assist States and other stakeholders in preventing, identifying, investigating, reporting and prosecuting fraud and abuse in capitated managed care programs. It also provides these entities with new measures and strategies to meet such goals.

The guidelines address the varied aspects of fraud and abuse in Medicaid managed care, including:

- Definitions and case examples of ongoing investigations and successful prosecutions of fraud and abuse in managed care versus fee-for-service systems,
- Roles of Medicaid purchasers and consumers in fraud and abuse,
- Utilization of electronic and other data to identify fraud and abuse,
- Key components of an effective managed care fraud and abuse program,
- Required and suggested reporting mechanisms at all levels, and
- Suggested fraud and abuse tools and provisions that can be used in a State's managed care system, including contracts and programs.

With the shift from traditional fee-for-service to managed care comes new challenges in containing cost and new opportunities for fraud and/or abuse to occur. We believe this document provides valuable tools that may be utilized to control fraud and abuse in the Medicaid program in your State.

If there are any comments or questions on this document, please contact Sharon Patterson at (816) 4263406 or e-mail at Spatterson2@hcfa.gov.

Sincerely,

Timothy M. Westmoreland Director Center for Medicaid and State Operations Health Care
Financing Administration

[Enclosure](#) (*Requires Adobe Acrobat Reader*)

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